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25X1

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SECRET
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Central Intelligence Bulletin

CONTENTS

South Vietnam: Situation report. (Page 1)

Czechoslovakia: The Husak leadership has announced new, moderate policies to deal with its opposition. (Page 2)



25X1

West Germany: The Bonn government has taken a major step toward easing its stand against recognition of East Germany by third countries. (Page 4)

Curacao: The government will probably ignore demands by labor unions that it resign, and it should be able to maintain order. (Page 5)

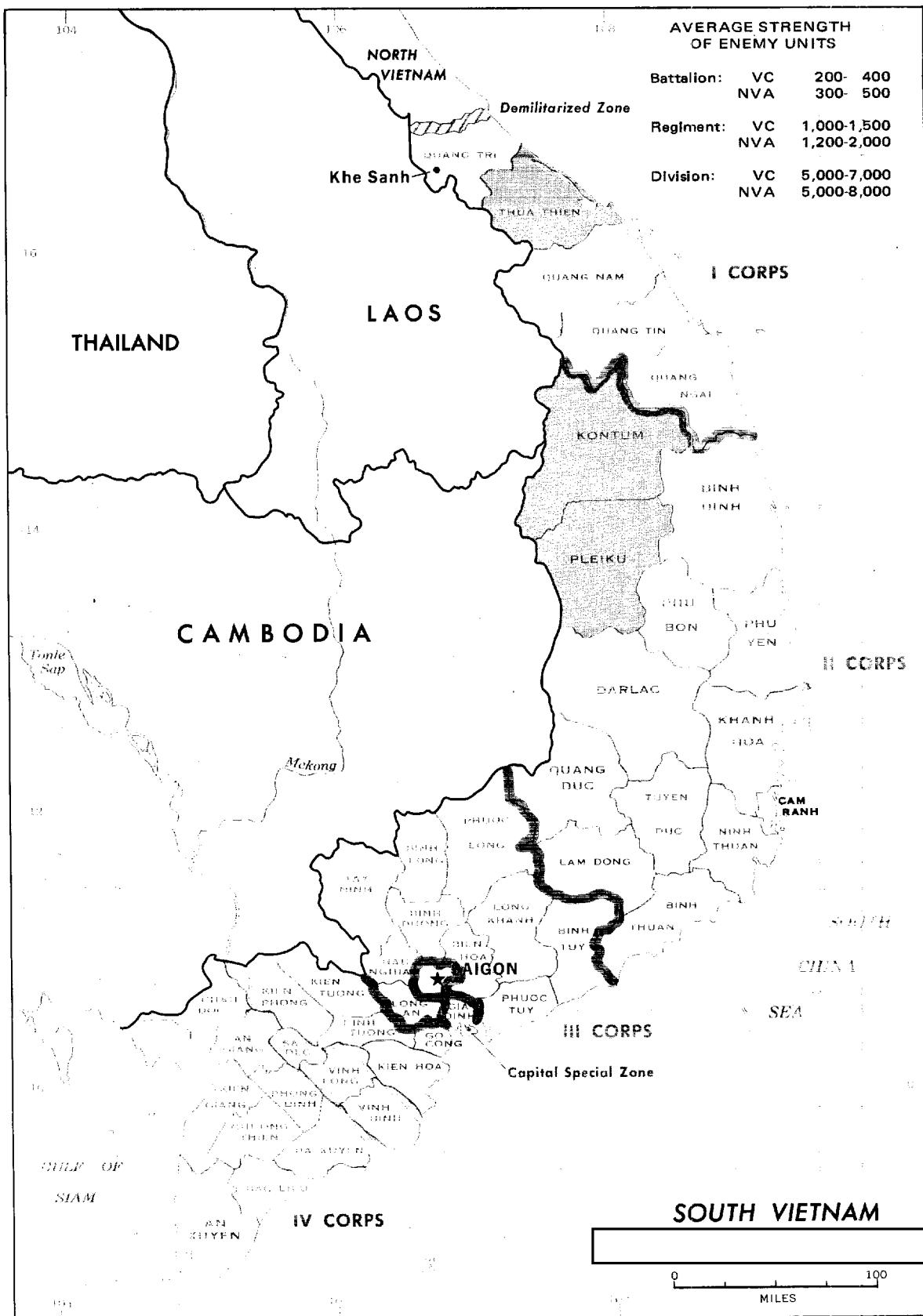
USSR: The rate of industrial growth during the first four months of 1969 was the lowest of this decade. (Page 6)

International Communism: Party differences unresolved (Page 7)

Argentina: Riot damage assessed (Page 7)

Guatemala: Rightist politician assassinated (Page 8)

SECRET



SECRET

C South Vietnam: Sharp fighting erupted in scattered sectors of South Vietnam over the weekend amid numerous indications that another phase of intensified enemy military action is about to begin.

More than 150 Communists were killed in three separate battles in Kontum and Pleiku provinces on 31 May - 1 June. Friendly casualties were light, as allied forces continued to ferret out elements of the five North Vietnamese regiments threatening allied positions in the central highlands. Communist forces continued to display an increased aggressiveness in the northern provinces of I Corps where yesterday an enemy force attacked a US Marine position near Khe Sanh and heavily mortared a South Vietnamese field position in Thua Thien Province.

Captured documents, as well as prisoner interrogations, have alluded to another offensive phase to take place in June. Any new round of military action is likely to follow the pattern of the "high-point" of 12-13 May, with increased emphasis on attacks against American forces and installations.

25X1

SECRET

Czechoslovakia: The Husak leadership has announced new, moderate policies to deal with its opposition both in and out of the party.

At a central committee plenum on 29-30 May, Husak and his colleagues began a housecleaning of the party membership in order to consolidate their own position and to convince the Soviets that they are speeding the process of "normalization." The leadership reprimanded or expelled certain unreconstructed reformists, and initiated investigations into the activities of others. In his speech to the plenum, Husak indicated that these measures were just the beginning and that the party would take action in the future against dissidents in other sectors of society, particularly among the trade unions, intellectuals, and students.

The Husak leadership's punitive actions, however, are moderate; they will probably be confined to expulsion from the party and possibly dismissal from jobs. Husak has said repeatedly that there have been no arrests, and he appears willing to give each dissident one last opportunity to fall in line before facing party censure.

Pro-Soviet conservatives, who are making a concerted bid for power, failed to make significant gains at the plenum and probably are only partly satisfied with the results. Virtually all of the dismissed officials were liberals associated with last year's reform program, but Husak said that he will not tolerate hard liners who want to return to the repressive system of rule practiced by former party boss Novotny. The expected removal of liberal Josef Spacek from the party secretariat, however, appears to have given the conservatives a slight majority on that body.

25X1

2 Jun 69

Central Intelligence Bulletin

2

SECRET

25X1

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West Germany: The Bonn government has taken a major step toward easing its stand against recognition of East Germany by third countries.

At a cabinet meeting on 30 May, the West German Government agreed on a declaration that is to be given to all governments with which it maintains diplomatic relations. The statement asserts, in effect, that in the future Bonn will not automatically break diplomatic ties with any state recognizing East Germany. Although the Federal Republic will continue to regard recognition of East Germany as an unfriendly act, its response in each case will be determined by circumstances prevailing at the time.

A decision on what specific action to take on Cambodia's recent recognition of East Germany was again deferred until a meeting of top coalition leaders today and a cabinet meeting on 4 June. Although the possibility of a break with Cambodia still remains open, pressure for such action appears to have eased somewhat as a result of a newly arrived statement from Prince Sihanouk, attempting to explain his recognition of East Germany.

The US Embassy in Bonn regards these developments as a victory for Foreign Minister Brandt and the Social Democrats who have long wanted to drop officially the so-called Hallstein doctrine under which West Germany has broken relations with countries recognizing East Germany. It also marks a further stage in the development of West German opinion in the direction of acceptance and ultimate recognition of East Germany, although formal recognition is still a long way off.

25X1

Curacao: The government will probably ignore the labor unions' demand that it resign or face new disorders, and, bolstered by Dutch marine reinforcements, should be able to maintain order.

The rioting on 30-31 May, which resulted in widespread property damage and left at least one dead and one hundred injured, followed a midweek walkout by construction workers over a wage dispute. By 30 May, sympathy strikes had swelled to a general strike. A workers' march on the capital, Willemstad, quickly degenerated into violence. When local authorities were unable to control the situation, Dutch marines were called to help restore order.

Government officials have publicly blamed the difficulties on "foreign-trained Communists." [redacted]

[redacted] some of the island's small radical element were active during the rioting. Many of the activists, however, are probably now under arrest, and the original construction workers' strike has been settled. Dutch marine reinforcements have lifted military strength on the island to 1,200 men.

A workers' ultimatum on 31 May demanded that the government resign within 48 hours. Thus far, there has been no official response to this demand.

25X1

25X1

25X1

2 Jun 69

Central Intelligence Bulletin

5

SECRET

SECRET

USSR: The rate of industrial growth during the first four months of this year was the lowest of this decade, according to statistics released in Moscow.

Civilian industrial production--as calculated by US agencies from the official data--grew by 4 1/2 percent during the first four months of the year compared with the same period in 1968. Production in April, however, was up 6 1/2 percent over the same month in 1968 compared with a boost of 7 1/2 percent in April 1968 over April 1967.

The moderate increase in the April growth rate was mainly a result of the rise in output of industrial materials as the disruptions of supply and transport caused by unusually severe winter weather came to an end. Fuels, construction materials, metals, and chemicals posted major improvements in their growth rates last month.

The production of civilian machinery during the first third of 1969 increased by about 10 1/2 percent, continuing the high rate of growth established in the latter half of 1968. Production of equipment for the high priority chemical industry, however, was up only slightly from the disappointing performance of the first four months of last year.

An absolute decline of 9 percent in meat output, reflecting in part the losses of livestock in Central Asia during the winter, considerably dims the prospect of achieving the output planned for this year. The production of other major food products, moreover, remained virtually the same as in January-April 1968, making a significant improvement in consumer diets in the near future highly unlikely.

25X1

SECRET

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International Communism: The communique is-
sued on 30 May at the end of the preparatory meeting
of 70 parties in Moscow indicates that differences
over the text of the main document on imperialism
remain unresolved. It notes that the delegates ad-
vanced the opinions of their respective central com-
mittees, that these were attentively studied, and
that the document with its proposed amendments will
be referred to the conference. This phrasing hints
that opposition of the chief dissidents, the Ruma-
nian and Italian parties, has not abated. Although
the communique fails to affirm the opening date of
5 June for the conference, there is no positive evi-
dence of further postponement. The Soviet position
has been strengthened by the announcement that the
hitherto recalcitrant Cuban party will send a high-
level delegation of observers to the conference.

25X1

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Argentina: The government is starting to as-
sess the material and psychological damage brought
by last week's general strike and violent student
demonstrations. In Cordoba, which was hardest hit
by the violence, the toll has been estimated at 12
to 16 dead and as many as 100 wounded, with property
damage calculated at over \$10 million. Military au-
thorities remain in control of Cordoba, and military
courts have begun trying persons accused of taking
part in the riots and in the accompanying sniping.

25X1

[redacted] President Onganía
has decided to reopen all universities in an attempt
to bring calm to the schools. If further unrest oc-
curs on the campuses, he reportedly plans to use the
broad powers given him by the national security law
of 28 May to control the situation. [redacted]

25X1

25X1

2 Jun 69

Central Intelligence Bulletin

7

SECRET

Guatemala: Prominent rightist politician Mario Lopez Villatoro was assassinated along with his bodyguard in Guatemala City yesterday. Lopez, who survived an attempt on his life last August, was propaganda secretary for the National Liberation Party, whose candidate for the March 1970 election, Colonel Arana, is a prime target of Communist insurgents.

25X1

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